Money Basics: Spending, Borrowing and Saving It

Training Program
Participant Packet

Presented by

CLC Incorporated
4170 Douglas Blvd.
Granite Bay CA 95746
(800) 541-9701

CLC Incorporated

Presents

Money Basics:
Spending, Borrowing, and Saving It

The presentation's goal is to give the participant a foundation for managing their personal financial goals. Beginning with building a realistic budget, this class also provides advice on the following topics:

- How to build a workable month to month budget
- Techniques for building savings
- Setting Financial Goals
- Managing debt

Participant handout: "Your Tools To Develop Wealth"

Question and Answer Session

Class Length: Approximately 60 minutes

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Your Tools to Develop Wealth

Review Your Spending Plan

Financial planning and financial stability begins with a well-prepared spending plan. Your spending plan compares how your actual expenses match your desired expenses, and is also a guide to future spending, promptly paying your bills, and maintaining your good credit. The first step in evaluating your current financial situation is to look at your monthly budget. Begin by looking at your monthly net income—your income after taxes.

Assess Your Spending Plan

Add up your monthly obligations, average expenses, and flexible expenses. Subtract this figure from your monthly net income to determine your discretionary cash. Use the Spending Plan Worksheet on the following pages to help record your information.

1. Your worksheet is set up to track income and expenses. Change or add categories as needed.

2. Cross out categories that do not apply to your situation. Your expense categories should reflect the way you and your family spend money.

3. Go through your checkbook and your bills for the last two to three months. Add and delete categories from the worksheet to fit your expenditures. Enter average monthly expenditures from your checkbook from the last few months.

4. Go through pay stubs and calculate your average monthly gross and net pay; include any interest income, dividends, bonuses, or other miscellaneous income.

5. For quarterly, semi-annual or annual expenses, convert the payment to a monthly amount when calculating the monthly budget.

6. Track cash expenditures and record total cash expenditures at the end of the month.

7. Subtotal the income and expense categories.

8. Subtract the total expenses from the total income to arrive at your monthly net income.

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Spending Plan Worksheet

Monthly Income

Monthly Take Home Pay (after all deductions)	_____
Spouse's Monthly Take Home Pay (after deductions)	_____
Child Support/Alimony Income	_____
Stock and Bond Monthly Income	_____
Interest Monthly Income	_____
Other Monthly Income	_____
Total Income	_____

HOUSING EXPENSES		**FOOD**	
Mortgage/Rent	_____	Groceries	_____
HELOC / 2nd Mortgage	_____	Eating Out	_____
Real Estate Taxes	_____	Work Lunches	_____
Homeowner's Insurance	_____	School Lunches	_____
Homeowner's Association Fee	_____	Tobacco/Liquor	_____
Home Repair/Maintenance	_____	**Total Food Expense**	_____
Total Housing Expense	_____		

CLOTHES		**KID'S ACTIVITIES**	_____
Adult(s)	_____	School (Tuition, etc.)	_____
Kid(s)	_____	Lessons	_____
Cleaners/Alterations	_____	Camp	_____
Total Clothing Expense	_____	Sports	_____
		Allowance	_____
		Total Kid's Activities	_____

PERSONAL		**ENTERTAINMENT**	
Haircuts/Etc.	_____	Cable TV	
Gifts	_____	Internet Services	_____
Subscriptions	_____	Theater/CD/Videos	_____
Health Club	_____	Hobbies/Clubs/Magazine	_____
Other Memberships	_____	Dues/Subscriptions	_____
Other	_____	Travel/Vacations	_____
Total Personal Expense	_____	**Total Entertainment Expense**	_____

MEDICAL/DENTAL		**INSURANCE**	
Premiums (Individual policy)	_____	Life	_____
Co-Pays	_____	Long-Term Care	_____
Prescriptions	_____	Disability Insurance	_____
Vitamins	_____	Other	_____
Total Medical/Dental	_____	**Total Insurance**	_____

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Spending Plan Worksheet (cont'd)

TELEPHONE		**UTILITIES**	_____
Telephone	_____	Electricity/Gas	_____
Mobile Phone-Pager	_____	Water/Sewer/Garbage	_____
Total Telephone	_____	**Total Utilities Expense**	_____

TRANSPORTATION		**SAVINGS**	
Car Payment(s)	_____	Monthly Retirement Savings	_____
Gasoline/Maintenance	_____	(Not deducted from paycheck)	_____
Auto Insurance	_____	Monthly Vacation Fund	_____
Auto Registration	_____	Monthly Emergency Savings	_____
Bus Fare/Train/Parking	_____	Monthly College Funding	_____
Other	_____	Other	_____
Total Transportation Expense	_____	**Total Monthly Savings**	_____

DEBT PAYMENTS	_____	**MISCELLANEOUS**	_____
Personal Loans	_____	Child Support Payments	_____
Student Loans	_____	Child Care	_____
Credit Cards	_____	Donations/Tithe	_____
Other	_____	Pocket Money	_____
Other	_____	Other	_____
Total Debt Payment	_____	**Total Miscellaneous**	_____

Net Cash Flow:

Total Monthly Income: $ _____

Total Monthly Expenses: $ _____

Total Discretionary Income: $ _____
(Subtract expenses from income)

Assessing Your Net Worth

An integral step in evaluating your finances is assessing your net worth. To determine your net worth, you need to figure out what you own and what you owe. Determining the total amount of your assets and liabilities will enable you to calculate how much you have available to invest. Use the Net Worth Worksheet to help record your information and calculate net worth:

Net Worth Worksheet

Assets	Value	Liabilities	Value
What You Own:		What You Owe:	
Savings & Investments		Credit Cards	_____
Checking Accounts	_____	Line of Credit	_____
Savings Accounts	_____	Unpaid Bills	_____
Mutual Funds	_____	Car Loan/Lease	_____
Stocks	_____	Other Loans	_____
Bonds	_____	Investment Loans	_____
Real Estate	_____	Business Loans	_____
Cash Surrender Value		Other Debts	_____
of Life Insurance	_____	Mortgage	_____
Mortgage at Principal Value	_____	**Total Liabilities**	**$** _____
Total Investment Assets	_____		
Personal Assets			
Vehicles	_____		
Property/Furniture	_____		
Jewelry/Art/Collectibles	_____	**Total Assets**	$ _____
Other Personal Assets	_____	**Total Liabilities**	**$ _____**
Total Personal Assets	_____	**Total Assets Minus Total Liabilities =Your Net Worth**	**$ _____**

SETTING FINANCIAL GOALS

At this stage in the process, you would have determined whether your cash flow leaves you enough to invest. Now it is important to establish clearly defined goals and objectives. Without clearly defined goals, it becomes hard to know how much to save, whether the return on your investment is adequate, and potentially when you would be converting the investment to cash to pay the expenses you have been saving for all along.

Goal setting begins when you have written them down!

Define Your Spending Goals

Identify what you are looking to accomplish with your investments. Define your goals:

- Buying your first or second home
- Saving for your child's education
- Planning retirement
- Paying down debt
- Other

For each goal, estimate the cost and the amount of time you need to achieve your goal.

Step 1: Identify and write down your financial goals, whether they are saving to send your kids to college, buying a new car, saving for a down payment on a house, going on vacation, paying off credit card debt, planning for retirement, etc.

Step 2: Break each financial goal down into several goals: short-term (less than 1 year), medium-term (1 to 3 years) and long-term (5 years or more).

Step 3: Evaluate your progress. Review your progress monthly, quarterly, or at any other interval you feel comfortable with, but at least semi-annually, to determine if your program is working. If you're not making satisfactory progress on a particular goal, re-evaluate your approach and make changes as necessary.

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Money Basics: Spending, Borrowing and Saving It

presented by

CLC Incorporated

Financial Coaching
Worksite Classes

MAGELLAN HEALTH SERVICES

Money Basics: Spending, Borrowing and Saving It

Today we'll talk about…

- Using a spending plan to set goals
- Loan repayment strategies
- Managing your credit report

A Spending Plan Is the Foundation of a Solid Financial Future

A Spending Plan Helps You

- Cover necessary expenses, while saving for the future
- Pay bills on time
- Be debt free
- Establish and maintain good credit
- Build an emergency fund
- Save for retirement

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Where Do You Start When Developing Your Spending Plan?

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First, Look For Ways to Increase Income – By Reducing Expenses

For effective cash flow management:

- Compare actual versus estimated monthly cash; make necessary adjustments
- Identify variable expenses to trim or budget monthly
- Be realistic about expenses
- Identify *needs* vs. *wants*

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Whenever Possible, Make Your Finances "Automatic"

- Direct deposit of paycheck
- Bill pay service through checking account
- Payroll deduction/auto-transfer to build savings
- Automatic deduction of insurance premiums, etc

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Watch Out for "Cash Flow Traps"

- Steadily increasing credit card debt
- Trade-up syndrome – spending more as income rises
- Maintenance expenses (failing to budget for home maintenance, car repairs, etc.)
- Failing to track cash expenditures

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Take Control of Your Debt

- Other life goals are often contingent upon reducing student loan debt
- Debt repayment strategies should reflect your personal goals

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Consumer Debt Options

- Negotiate a lower rate
- Balance transfer
- Debt consolidation
- Credit Counseling services
- Debt settlement
- Bankruptcy

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Consumer Debt Strategy
Balance transfer to a lower rate card

Pros

Consolidate debt from accounts or loans with higher interest rates to reduce the interest paid.

Cons

- Is there a time limit on the low interest rate?
- Is there a balance transfer fee?
- Some companies will raise rates to 20% or more and charge a late fee if payment is late.

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Consumer Debt Strategy
Debt consolidation to an equity loan

Pros

- Transfer to a secured loan with lower interest rate and lower monthly payments.
- Interest may be tax deductible (check with a tax advisor).

Cons

- Many people feel the burden of debt has been removed and may pile up new debt on fresh credit cards.
- Unsecured debt becomes secured.
- Missed payments could result in foreclosure and loss of your home.

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Be Careful of Payday Loans!

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Should I use extra cash to pay off student loans and credit cards, or contribute to my employer's retirement plan?

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What is A Credit Score?

- FICO is the most common scoring model, but others can be used (Beacon, Vantage, etc.)
- A credit score can range between 350-900
- A credit score reflects your credit worthiness based on your bill paying history and debt profile
- A higher score reflects better credit

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Take Care of Your Credit Score

A lower credit score can cost you money and can impact:

- Loan and credit card rates
- Auto insurance rates
- Your employment opportunities
- Your ability to rent a home

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Five Types of Data Determine Credit Score

The percentages show the importance of each type of information:

35% Payment history
15% Length of credit history
10% New credit
30% Amounts owed
10% Types of credit used

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Your credit score affects the interest rate you pay for a mortgage loan

This example reflects interest and payments for a $250,000 mortgage

FICO score	Annual % rate	Monthly payment	Total interest paid
720-850	5.0%	$1,342	$233,141
700-719	5.125%	$1,361	$240,037
675-699	5.25%	$1,381	$246,983
620-674	5.50%	$1,419	$261,012

The rates represent average loan rates in effect at the time and may not be considered representative of current mortgage loan rates.

Source: Fair Isaac

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Your credit score affects the interest rate you pay for a car loan

This example reflects interest and payments for a $20,000 car loan

FICO score	Annual % rate	Monthly payment	Total interest paid
720-850	6.000 %	$387	$3,200
690-719	7.732 %	$403	$4,177
660-689	9.000 %	$415	$4,910
625-659	12.048 %	$445	$6,723
590-624	15.697 %	$483	$8,991
500-589	16.433 %	$491	$9,456

*Based on $20,000 purchase price; 0 down; 5 yr term
The rates represent average loan rates in effect at the time and may not to be considered representative of current auto loan rates.

Source: Fair Isaac

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Ways to Improve and Maintain Credit Score

- Pay bills on time
- Keep debt to available credit ratio (utilization) at 30% or less
- Pay off debt instead of moving it around
- Avoid closing unused accounts as a short-term strategy to improve your credit score
- Avoid frequent credit inquiries

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25% of Credit Reports Surveyed Contained Either Serious Errors or Other Mistakes…

Source: http://www.uspirg.org
(Federation of State Public Interest Research Groups)

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You Are Entitled to a Free Credit Report Every 12 Months (one from each of the 3 national bureaus)

- Check for errors that can lower your score
- Order your reports through the website, **www.annualcreditreport.com**, by phone 877-322-8228, or by writing:

Annual Credit Report Request Service
P. O. Box 105281
Atlanta, GA 30348-5281

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Many Want to Improve Their Finances, But Don't Know Where to Start?

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We hope you have gained valuable insights that will help you make better financial decisions

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Your Employee Assistance Program

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EMPLOYEE ASSISTANCE PROGRAM

1.855.Here4TN
(1.855.437.3486)
1.800.456.4006 TTY users
www.Here4TN.com

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Website Resources

Budgeting and Savings
- http://money.cnn.com/pf/101
- http://www.bankrate.com/calculators/index-of-checking-savings-calculators.aspx
- http://articles.moneycentral.msn.com/Banking/BetterBanking/StreamlineYourFinancesIn8Steps.aspx

Credit
- www.cardlocator.com
- www.bankrate.com
- www.federalreserve.gov/pubs/shop
- www.myfico.com
- www.annualcreditreport.com

Debt Management
- www.debtadvice.org
- www.debtorsanonymous.org
- www.consumeraction.gov
- www.powerpay.org

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